METWEST Funds
TCW Family of Funds

Performance as of December 31, 2019

(%)	I Share	M Share	Index[1]
Latest Quarter	0.19	0.22	0.18
Year-To-Date	9.09	8.94	8.72
1 Year	9.09	8.94	8.72
3 Years	4.16	3.93	4.03
5 Years	3.04	2.80	3.05
10 Years	4.98	4.76	3.75
Since Inception	5.94	6.09	4.98; 5.20[2]

Not annualized if less than one year.

Expense Ratio (%)	I Share	M Share
Gross	0.44	0.67

Annual fund operating expenses as stated in the Prospectus dated July 29, 2019.

Source: TCW

1 Bloomberg Barclays U.S. Aggregate Bond Index – A market capitalization-weighted index of investment-grade, fixed-rate debt issues, including government, corporate, asset-backed and mortgage-backed securities, with maturities of at least one year. The index is not available for direct investment; therefore its performance does not reflect a reduction for fees or expenses incurred in managing a portfolio. The securities in the index may be substantially different from those in the Fund.

2 The since inception return for the index reflects the inception date of the MetWest Class I and Class M Share Funds, respectively. For period 3/31/00 – 12/31/19; 3/31/97 – 12/31/19.

FOURTH QUARTER 2019 COMMENTARY

MetWest Total Return Bond Fund

Market Review: "With the Fed Around, Uncertainty is Certain"

While there were a litany of downside risks facing markets this year, the dovish stance (and, ultimately, action) of global central banks overwhelmed any temporary disruptions, with equity markets responding in Pavlovian fashion to the mere suggestion of monetary accommodation. Looking back, it would have been a stretch to have predicted a year of over 30% returns for equities and nearly 9% for fixed income, knowing the myriad risks and policy uncertainty. The list of headline risks included heightened U.S.-China trade tensions, the longest U.S. auto workers' strike in 50 years (at General Motors), repo market funding pressures, a U.S. presidential impeachment, ongoing Brexit rancor, and a Venezuelan default. Trade effects were outsized in 2019, as the direction of talks – and ensuing market reaction – seemed to shift constantly and influence, particularly, stock market ups and downs. However, the general trend tilted positive late in the year as trade negotiations picked up and near-term uncertainty came down. Not surprisingly, businesses remained skeptical in this environment, evidenced by sharp declines in survey-based measures of expectations, confidence, and spending decisions. Still, the dominating theme of the fourth quarter (and all of 2019) was that of central bank accommodation, leading to a sharp rise in net asset purchases which, having reached a post-crisis low of $77 billion earlier this year, are estimated to grow by over $1 trillion by September 2020.

Notwithstanding soaring asset prices sustained by rate cuts and ongoing liquidity injections, the underlying fundamentals have not changed. Manufacturing data has been an area of particular concern, with the U.S. ISM Manufacturing survey in contractionary territory for five consecutive months, culminating in a December report that marked the worst reading since June 2009. Factory weakness is further reinforced by flagging seaport and airport activity, while the Eurozone also remained mired in an industrial recession (even for the traditional stalwart, Germany). Furthermore, corporate profit margins have been compressed for several quarters, accompanied by declines in capital investment, increases in share buybacks, and debt-financed M&A activities, all while debt levels persisted at historical highs and underwriting standards for corporate credit and loans deteriorated.

Capping off an impressive year, the S&P 500 advanced 9.1% in the fourth quarter. Fixed income markets trailed, with a mixed return profile across sectors leading to a 0.2% gain for the Bloomberg Barclays U.S. Aggregate Index over the same period, while the year-to-date return amounted to a historically robust 8.7%. Broadly, fixed income sectors generated strong gains on the year, as Treasury rates collapsed across the curve – the One-Year note was down 103 basis points (bps), while 10-Year and 30-Year yields dropped by 77 and 63 bps, respectively. Investment grade corporates were a standout performer in 2019, as unrelenting global investor demand compressed spreads to cycle tights of 93 bps. The sector returned 1.2% during the quarter, approximately 240 bps over duration-matched Treasuries, and an impressive 14.5% for the year – with 676 bps of positive excess return versus Treasuries. Similarly, high yield corporates were up 2.6% in the fourth quarter and 14.3% for the year, with a staggering 934 bps of excess return over Treasuries (outpacing all other fixed income assets). Notably, investors showed signs of discernment in the high yield market, as considerable dispersion characterized the sector throughout the year. Notwithstanding a rally in December, CCCs lagged BBs for the better part of the year, ultimately trailing by nearly 600 bps with a total return of 9.5% versus a BB return of 15.5%. Securitized products also fared well for the year, though fourth quarter returns varied across collateral types. Agency MBS spreads tightened in December, bringing fourth quarter returns to 0.7% (over 60 bps ahead of Treasuries) and yearly returns to 6.4%. Asset-backed securities (ABS) followed, with returns of 0.4% in 4Q and a full-year gain of 4.5%. Meanwhile, commercial MBS fell 0.3% in the fourth quarter, weighed down by trailing agency CMBS, though the overall sector delivered total returns of 8.3% in 2019.

METWESTFunds
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MetWest Total Return Bond Fund

Performance

The MetWest Total Return Bond Fund I-Class ("Fund") gained 0.20% (net of fees) in the fourth quarter of 2019, performing largely in line with the Bloomberg Barclays U.S. Aggregate Index, and 9.09% for the year, roughly 40 bps ahead of the Index. Duration and yield curve management had little impact on performance for the quarter, given a largely neutral position, and had a similarly muted impact for the year despite slight adjustments. For the quarter and year, the Fund benefitted from the emphasis on consumer non-cyclicals, communications, and finance companies on both a sector allocation basis as these were among the better performers in the corporate space, and from an issue selection standpoint. Meanwhile, an underweight to technology and banking resulted in a drag, particularly for the year, as both sectors outpaced Treasuries by over 590 bps in 2019 – not the best performing corporates, but certainly ahead of the Index. Away from corporates, the underweight to non-U.S. sovereign debt was a small drag for both periods, while the overweight to securitized products contributed, more so for the one-year period than the quarter. More specifically, issue selection among residential MBS detracted during the quarter as prices fell in November for non-agency MBS, but for the full year, the position rewarded relative performance given sustained demand and consistent positive total returns for the sector, with further contributions from agency MBS holdings.

Outlook & Positioning

With the easing profile following late 2018's significant volatility, the Fed appears, in action if not necessarily by mission statement, very willing to support markets. However, even monetary policy has limits, particularly in the face of late-cycle challenges such as corporate credit leverage, ongoing trade uncertainty, U.S. elections, and other downside risks. Furthermore, the Fed's 2019 dovish policy stance does not alter the underlying fundamental picture and thus is unlikely to serve as a catalyst for a broader, sustained rebound in economic activity. Against a precarious global backdrop rife with uncertainty and studded with important elections (in the U.S., U.K., and elsewhere), the coming year stands to be an interesting one. Notably, fear of recession still tops the list of concerns in the minds of top business executives in the U.S., according to the latest Conference Board survey, reflecting the uncertain environment going forward, and standing at odds with the heady market returns from the past year. If one thing is certain, as investors learned in 2019, even if you can predict outcomes of geopolitical events, you can't predict how the market will react.

Given that the threshold for the Fed to raise rates has mounted, the Fund's duration profile is targeted at roughly neutral relative to the benchmark. Across sectors, the Fund continues to underweight governments as the yield give – even on lower risk – remains significant to other opportunities. Within the credit allocation, positioning is defensive with minimal exposure to the more vulnerable (i.e., "breakable") issuers and industries. Holdings emphasize communications and consumer non-cyclicals such as pharmaceuticals, healthcare, or food and beverage, and have moved subtly towards higher conviction names. Exposure to banking was reduced throughout the year as yield premiums came down, consistent with our value discipline, and the Fund is positioned to add opportunistically during bouts of volatility when prices look relatively more attractive. Outside of credit, senior parts of the securitized markets still offer opportunities for attractive risk-adjusted returns, though we remain vigilant to pockets of looser underwriting standards, particularly in current vintage CMBS, with a focus instead on agency-backed issues. Residential MBS also remains an area to pick up relatively reliable yield, particularly in the legacy non-agency MBS space, which continues to present attractive risk-adjusted return potential despite a shrinking market. Agency MBS positioning is still slightly ahead of the benchmark, though the composition has shifted among coupon and collateral type based on valuations and currently remains focused on low coupon 30-Year conventionals. Finally, the Fund's ABS position is focused on super-senior issues backed by government-guaranteed student loan collateral.

FOURTH QUARTER 2019 COMMENTARY

MetWest Total Return Bond Fund

Investment Risks

It is important to note that the Fund is not guaranteed by the U.S. Government. Fixed income investments entail interest rate risk, the risk of issuer default, issuer credit risk, and price volatility risk. Funds investing in bonds can lose their value as interest rates rise and an investor can lose principal. Mortgage-backed and other asset-backed securities often involve risks that are different from or more acute than risks associated with other types of debt instruments. MBS related to floating rate loans may exhibit greater price volatility than a fixed rate obligation of similar credit quality. With respect to non-agency MBS, there are no direct or indirect government or agency guarantees of payments in pools created by non-governmental issuers. Non-agency MBS are also not subject to the same underwriting requirements for the underlying mortgages that are applicable to those mortgage-related securities that have a government or government-sponsored entity guarantee. For a complete list of Fund risks, please see the Prospectus.

Index Disclosure

MetWest Total Return Bond Fund

Glossary of Terms

Accommodative Monetary Policy – When a central bank (such as the Federal Reserve) attempts to expand the overall money supply to boost the economy when growth is slowing (as measured by GDP). **Agency MBS** – The purchase of mortgage-backed securities issued by government-sponsored enterprises such as Ginnie Mae, Fannie Mae or Freddie Mac. **Aggregate** – Formed or calculated by the combination of many separate units or items; total. **Asset-Backed Securities** – A financial security backed by a loan, lease or receivables against assets other than real estate and mortgage-backed securities. **BB Rating** – A BB rating reflects an opinion that that the issuer has the current capacity to meet its debt obligations but faces more solvency risk than an A-rated issue and less than a BBB-rated issue if business, financial, or economic conditions change measurably. **BPS** (Basis Points) – A unit that is equal to 1/100th of 1%, and is used to denote the change in a financial instrument. The basis point is commonly used for calculating changes in interest rates, equity indexes and the yield of a fixed-income security. **Brexit** – An abbreviation of "British exit", which refers to the June 23, 2016 referendum by British voters to exit the European Union. **CCC Rating** – A CCC rating represents an extremely high risk bond or investment; banks are not allowed to invest in CCC rated bonds. CCC bonds are junk bonds. **Central Bank** – A monopolized and often nationalized institution given privileged control over the production and distribution of money and credit. **CMBS** (Commercial Mortgage-Backed Securities) – A debt obligation that represents claims to the cash flows from pools of mortgage loans on commercial property. **Collateral** – Property or other assets that a borrower offers a lender to secure a loan. **Conference Board (The)** – A global, independent business membership and research association working in the public interest. The Board's mission is to provide the world's leading organizations with the practical knowledge they need to improve their performance and better serve society. **Corporate –** Of or relating to a bond issued by a corporation as opposed to a bond issued by the U.S. Treasury, a non-U.S. government or a municipality. **Coupon** – The interest rate stated on a bond when it's issued. The coupon is typically paid semiannually. **Credit** – Issuers. **Cyclical** – A cyclical stock is a stock highly correlated to changes in the economy. **Defensive** – Stock that provides a constant dividend and stable earnings regardless of the state of the overall stock market. **Distribution** – Distributions of income and capital gains that mutual funds make to their investors periodically during a calendar year. **Dove/Dovish** – An economic policy advisor who promotes monetary policies that involve the maintenance of low interest rates, believing that inflation and its negative effects will have a minimal impact on society. Statements that suggest that inflation will have a minimal impact are called "dovish." **Duration** – A measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates. Duration is expressed as a number of years. Rising interest rates mean falling bond prices, while declining interest rates mean rising bond prices. **Dividend** – A distribution of a portion of a company's earnings, decided by the board of directors, to a class of its shareholders. **Easing** – A monetary policy in which a central bank purchases government securities or other securities from the market in order to lower interest rates and increase the money supply. **Eurozone** – A geographic and economic region that consists of all the European Union countries that have fully incorporated the euro as their national currency. **Federal Reserve** (the Fed) – The central bank of the United States which regulates the U.S. monetary and financial system. **Floating Rate** – Any interest rate that changes on a periodic basis. The change is usually tied to movement of an outside indicator, such as the prime interest rate. **Fundamental** – Macroeconomics and Microeconomics. Macroeconomic fundamentals include topics that affect an economy at large. **High Yield** – A bond that is rated below investment grade. **Investment Grade** – A bond that is rated Baa3/BBB- or higher by Moody's, Standard & Poors and Fitch. **ISM** – Institute For Supply Management. A non-profit organization that serves professionals, who are employed in the supply management profession. **Late-cycle** – Often coincides with peak economic activity, implying that the rate of growth remains positive but slows. A typical late-cycle phase may be characterized as an overheating stage for the economy when capacity becomes constrained, which leads to rising inflationary pressures. **Leverage** – The use of borrowed money to increase investing power. A firm with significantly more debt than equity is considered to be highly leveraged. **Liquidity** – The ability to convert an asset to cash quickly. **Maturity** – The period of time for which a financial instrument remains outstanding. **MBS** (Mortgage-Backed Securities) – A type of asset-backed security that is secured by a mortgage or collection of mortgages. These securities must also be grouped in one of the top two ratings as determined by a accredited credit rating agency, and usually pay periodic payments that are similar to coupon payments. Furthermore, the mortgage must have originated from a regulated and authorized financial institution. **Non-Agency CMBS** – Commercial Mortgage Backed Securities whose underlying assets are commercial real estate such as multi-family, hotel, office, or retail properties and do not have an explicit US government guarantee nor are they guaranteed by one of the Government Sponsored Enterprises. **Non-Agency MBS** – Mortgage backed securities sponsored by private companies other than government sponsored enterprises such as Fannie Mae or Freddie Mac. **Recession** – Two consecutive quarters of negative economic growth as measured by a country's gross domestic product. **Repurchase Agreement (Repo)** – A form of short-term borrowing for dealers in government securities. The dealer sells the government securities to investors, usually on an overnight basis, and buys them back the following day. **Risk-Adjusted Return** – Refines an investment's return by measuring how much risk is involved in producing that return, which is generally expressed as a number or rating. **Sovereign Debt** – Government bonds issued in foreign currency. **S&P 500 Index (SPX)** – A capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. **Securitized Product** – Any fixed income investment from the mortgage-backed, asset-backed, or commercial mortgage-backed sectors. **Spread** – The difference between the bid and the ask price of a security or asset. **Tightening** – Short for tight monetary policy. A situation in which a central bank enacts relatively high target interest rates to lower the available of credit. Effectively "tightening" the supply of credit. **Treasury Note** – A treasury note is a marketable U.S. government debt security with a fixed interest rate and a maturity between one and 10 years. Treasury notes are available from the government with either a competitive or noncompetitive bid. **Underwriting** – The process by which investment bankers raise investment capital from investors on behalf of corporations and governments that are issuing securities (both equity and debt). **Valuations** – The process of determining the current worth of an asset or company. There are many techniques that can be used to determine value, some are subjective and others are objective. **Volatility** – A measure of the risk of price moves for a security calculated from the standard deviation of day to day logarithmic historical price changes. **Yield** – The income return on an investment. This refers to the interest or dividends received from a security and is usually expressed annually as a percentage based on the investment's cost, its current market value or its face value. **Yield Curve** – a curve on a graph in which the yield of fixed-interest securities is plotted against the length of time they have to run to maturity. **Yield Premium** – Additional return.

For more information about the Fund call us at 800 241 4671.

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